



Rural Housing Service

Rural Utilities Service

Rural Business-Cooperative Service

**USDA Rural Development
U.S. Department of Agriculture**

Rural Housing Service

Single Family homes

502

504

Rural Rental housing

Family

Senior









Rural Utilities Service

**Water & Waste Disposal
Community Facilities**

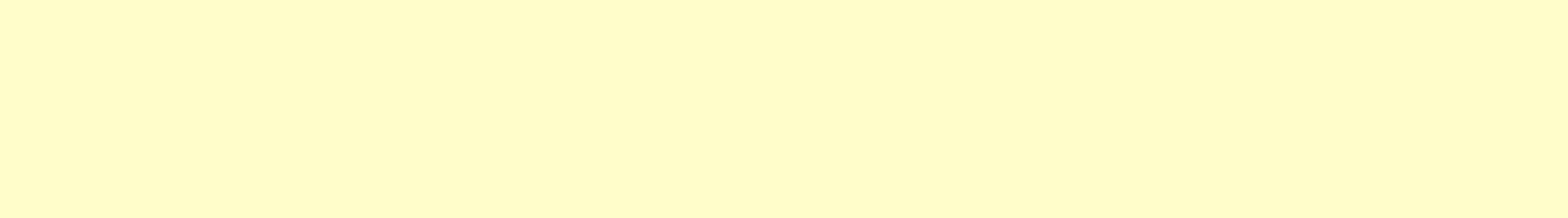




CALEDONIA, MN



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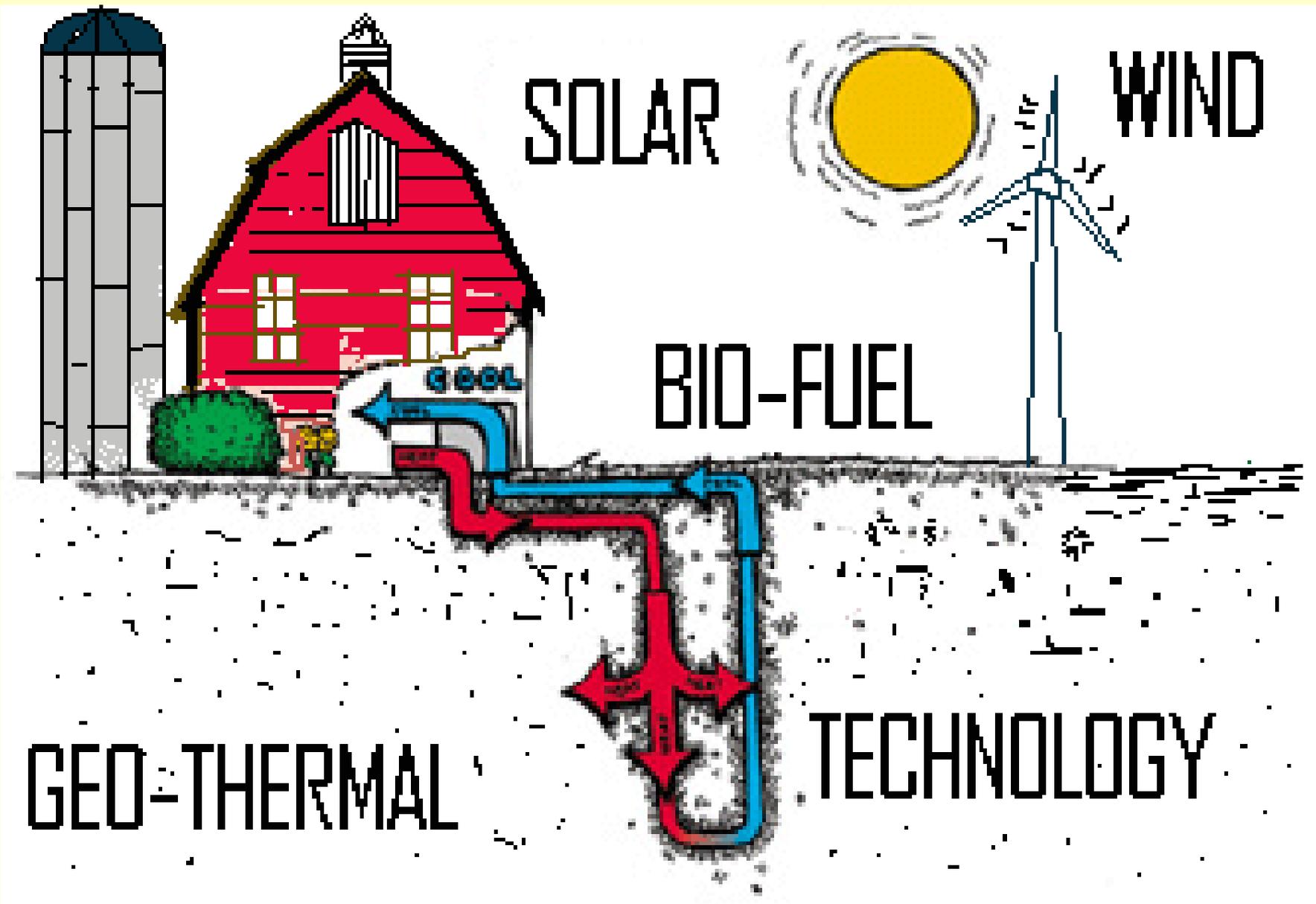


Business and Cooperative Programs

- 1. Business & Industry Loan Guarantees**
- 2. Rural Business Enterprise Program**
- 3. Intermediary Relending Program**
- 4. Rural Economic Development Loans & Grants**
- 5. Rural Cooperative Development Grants**
- 6. Rural Business Opportunity Program**
- 7. Renewable Energy & Energy Efficiency (9006)**
- 8. Value-Added Producer Grants**
- 9. Biomass Research & Development (9008)**
- 10. Small Minority Producer Grant Program**

Section 9006

- **USDA program created by Title IX, Section 9006 of the 2002 Farm Bill, the “Renewable Energy Systems and Energy Efficiency Improvements Program.”**
- **Assists farmers, ranchers and rural small businesses with renewable energy and energy efficiency projects.**
- **5-year program.**
- **Provides \$15.88 million in grants, \$205 million in loan guarantees.**



Biomass

- **Biomass** – any organic material that is available on a renewable or recurring basis, including:
 - agricultural crops
 - trees grown for energy production
 - wood waste and wood residues
 - plants (including aquatic plants and grasses)
 - residues
 - fibers
 - animal wastes and other waste materials (except recycled paper or un-segregated solid waste)
 - fats, oils and greases (including those that are recycled).

Ineligible Purposes

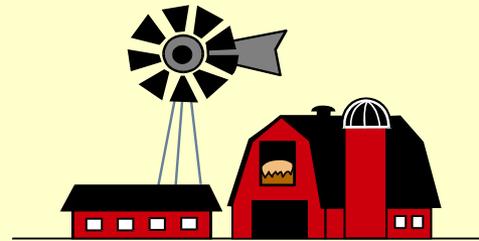
- **Residential Use**
- **Vehicles and farm tillage equipment**
- **Research and Development**
- **Hydro power or landfill gas**

Section 9006

- **Maximum Loan guarantee: \$10,000,000**
- **Grants cannot exceed 25% of eligible project costs, or:**
 - **\$500,000 (\$2,500 minimum) -- renewable energy**
 - **\$250,000 (\$1,500 minimum) -- energy efficiency**

Eligible Applicants

- **Agricultural Producer**
- **Rural Small Business** - meets SBA definition of small business (typically 500 or fewer employees and \$20 million or less in total annual receipts). Most non-profits, such as schools, are ineligible. Tribal electric utilities are eligible.

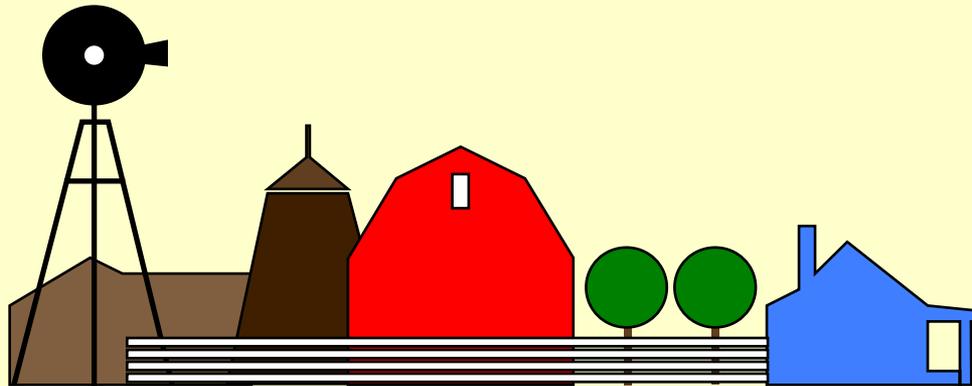


Eligible Projects

- **Must demonstrate financial need for the grant.**
- **Must be U.S. citizen.**
- **Must be technically and financially feasible.**
- **Must be in a rural area**

Non-rural Areas: Over 50,000 in population

- **Twin Cities area**
- **Duluth area**
- **Rochester area**
- **St. Cloud area**
- **Moorhead (pop = 32,177; Fargo = 90,599)**
- **La Crescent (pop = 4,923; La Crosse = 51,818)**



Types of projects awarded

Anaerobic Digester

Biodiesel

Biomass wood burner drying system

**Biomass-Biodiesel/Solar Thermal
(Building)**

**Boiler/turbine system for wood
drying/power**

Electric (off grid) - 6 kW

Electric (on-grid) - 10 kW

Ethanol - 750,000 GPY

Fuel Pellets (straw)

**Geothermal-Heat Exchange/Solar
Electric (on grid)**

Grain Dryer

**Greenhouse energy efficiency
improvements**

HVAC - 1,229,522 kWh/year

Insulation, Windows

Irrigation

Poultry House

Refrigeration/lights/HVAC

Reverse Osmosis

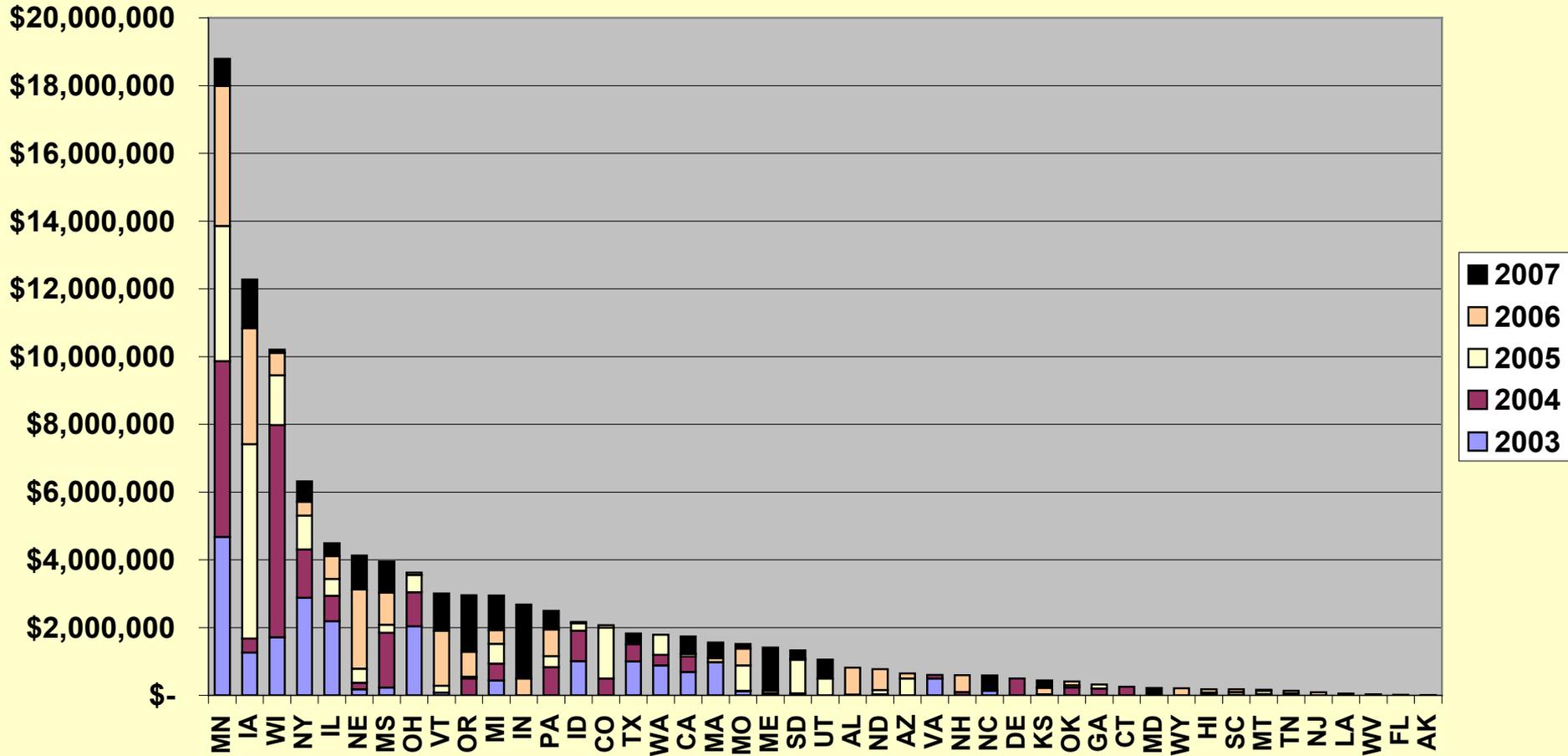
Roof

Thermal (Water) - 200 Gallons

Water Heaters

Wind Farm - 1.25 MW

Section 9006 Awards



Wolf Wind Farm, Rock Co.

5 – 1.65 MW Turbines

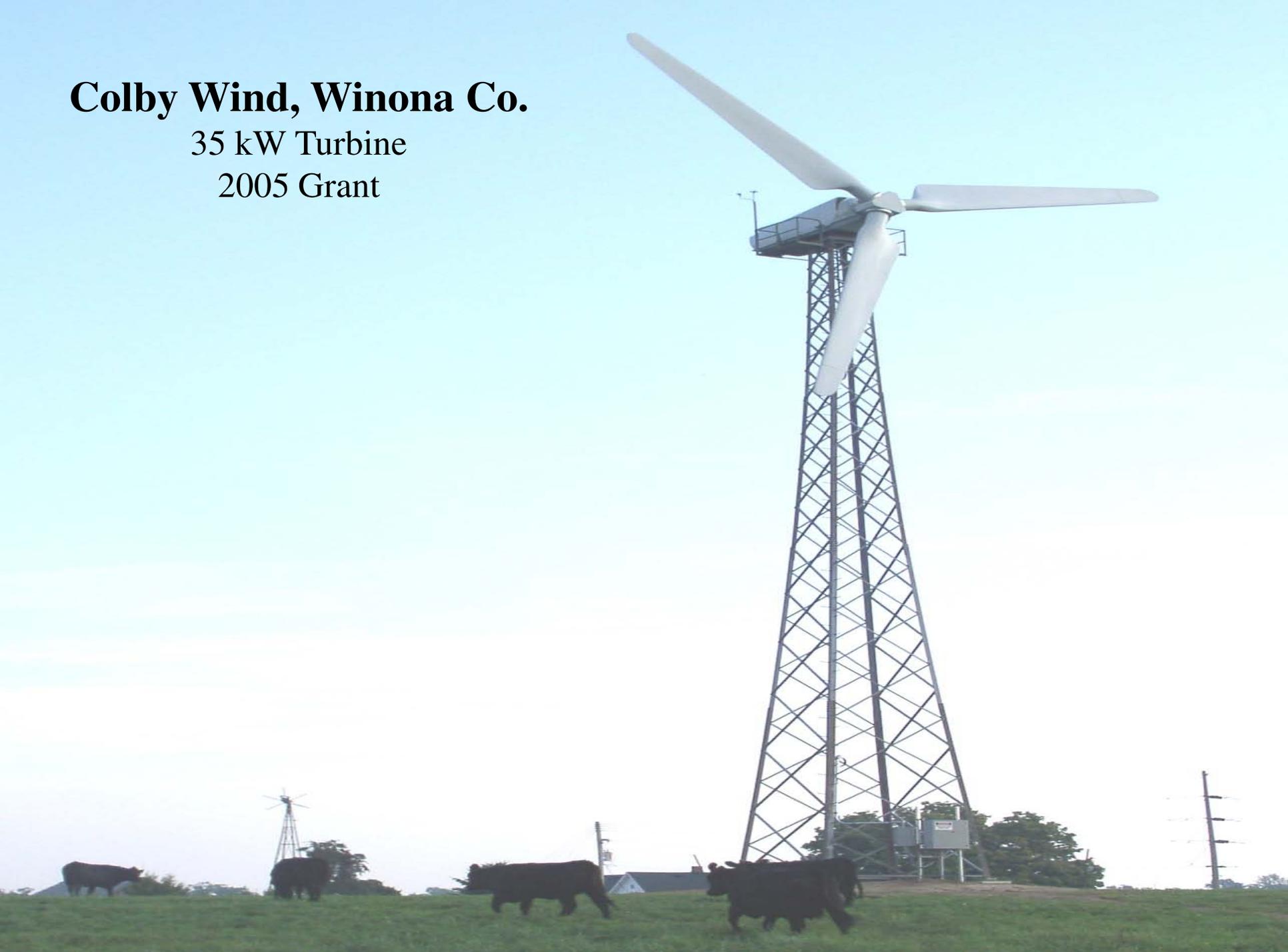




Colby Wind, Winona Co.

35 kW Turbine

2005 Grant





Barry Bork, Rock Co.
Next Generation 35 kW Turbine
2006 Grant



Don Skarie, Becker Co.
Geothermal



Don Skarie, Becker Co.
Geothermal



Don Skarie, Becker Co.
Geothermal

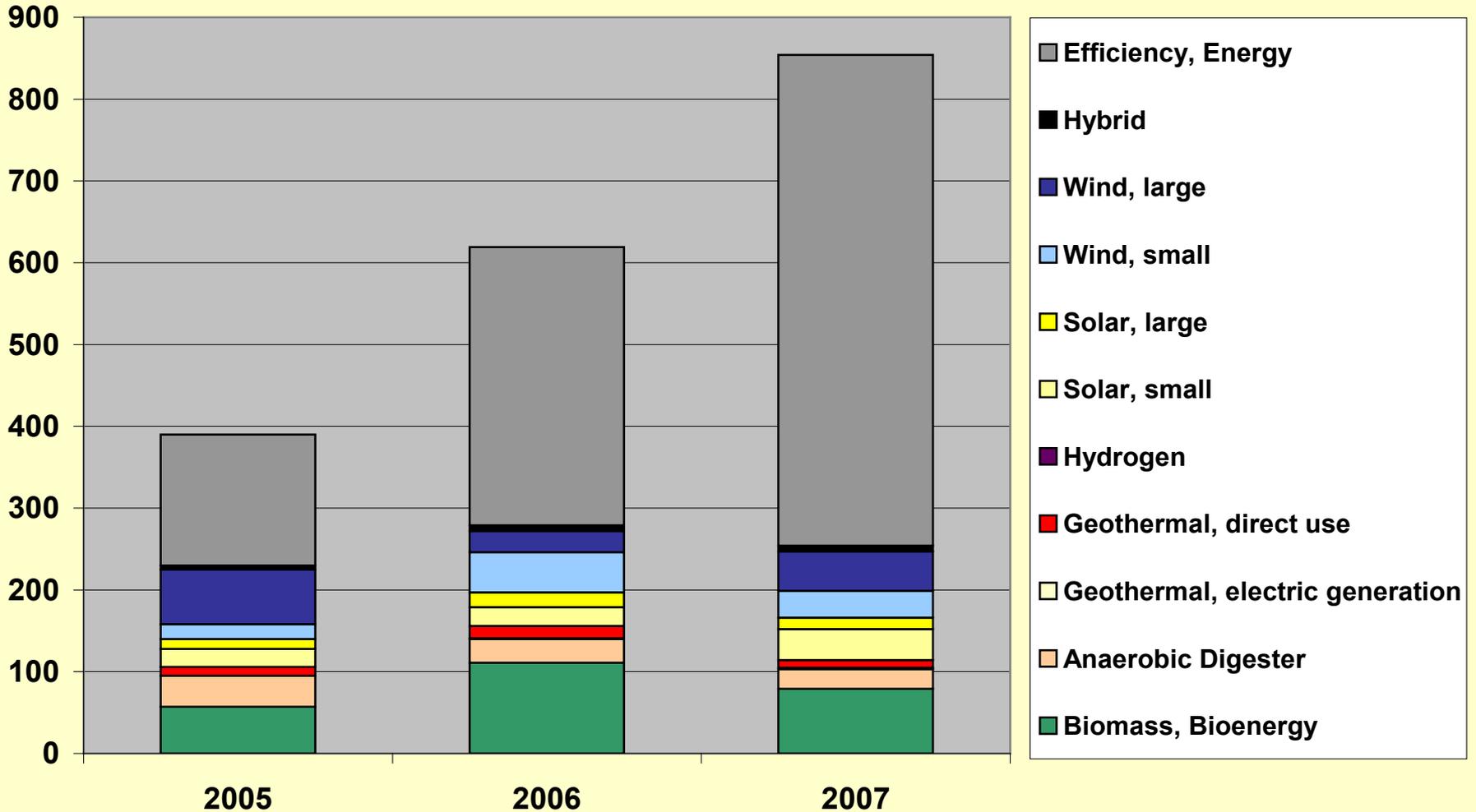


K & K Farms of Waseca, Waseca Co.
2006 Grant

**Kvistad Farms,
Yellow Medicine Co.**



Section 9006: Number of Applications



Rural Business Enterprise Grants (RBEG)

Purpose:

- To support the development of small and emerging private business enterprises that ...**
 - Has less than \$1 million in projected gross revenues.**
 - Will employ 50 or fewer new employees**

RBEG

Eligible applicants:

**Public bodies, private/non-profit corporations,
tribal groups.**

In FY2008, \$498,000 is allocated to Minnesota.

RBEG

Use of grant funds:

- 1. Infrastructure; purchase and development of land, easements and rights-of-way; construction and improvements to buildings; loans to start up operating cost and working capital; reasonable fees and charges for professional services necessary for the planning and development of a project**
- 2. TA: Technical Assistance for private business enterprises (e.g. training).**
- 3. RLF: Financial assistance to third parties through a revolving loan program.**

RBEG

Example of RBEG Infrastructure Grants:

- **City of Benson \$87,000, 24 jobs to extend utility services to Heartland Ranch.**
- **City of Boyd \$102,000, 8 jobs to provide for business incubator Boyd community Health Clinic.**

RBEG

Example of RBEG TA:

- **Southwest Minnesota Foundation \$184,000 Micro-Enterprise Technical Assistance Grant. Small business assistance to minority and low incomes business (89 clients) in 18 counties in southwest Minnesota.**

RBEG

Examples of RBEG RLF:

- City of Arlington - \$95,000, 100 jobs, 15 businesses**
- City of Medford - \$99,000, 11 jobs, 1 business**
- City of Springfield - \$100,900, 12 jobs, 3 businesses**
- City of Easton - \$50,000, 12 jobs, 3 businesses**
- City of Mt. Lake - \$100,000, 23 jobs, 6 businesses**
- Prairieland EDC - \$102,000, 20 jobs, 3 businesses**

Intermediary Relending Program (IRP)

Program Purpose:

To finance business facilities and community development projects in rural areas; for innovative projects; for land, building construction or repair, equipment; for working capital, interest, feasibility studies, professional services.

IRP

Intermediaries:

Private nonprofit corporations, any state or local government, Indian group, or cooperative. Intermediary Relending Program money is lent to them, which in turn is re-lent by them to ultimate recipients. The ultimate recipient must not be able to obtain credit elsewhere.

IRP

Loan Characteristics:

- **Maximum USDA Rural Development funding is \$15 million per intermediary, but each application is limited to \$750,000. The maximum loan to an ultimate recipient is the lesser of \$250,000 or 75% of the total project cost. However, no more than 25% of an IRP loan approved may be used for loans to ultimate recipients that exceed \$150,000. The interest rate to an intermediary is 1%. The maximum term is 30 years. Rates to ultimate recipients will be negotiated with the intermediary, with lower rates encouraged.**

IRP

Collateral:

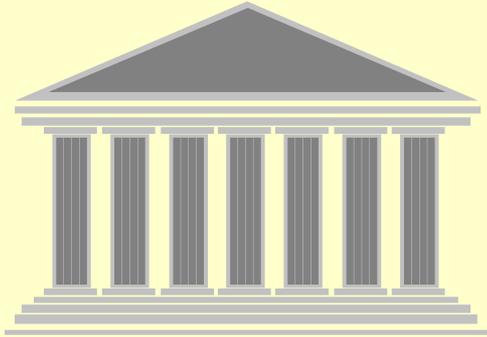
- **Security can be real or personal property or pledged security of the intermediary or ultimate recipient.**

1. **Benton County**
2. **Blooming Prairie EDA**
3. **Caledonia Economic Development Authority**
4. **Initiative Foundation (Little Falls)**
5. **Community Development of Morrison County, Inc.**
6. **Crookston, City Of**
7. **Detroit Lakes Development Authority**
8. **Development Corporation Of Austin (DCA)**
9. **Economic Development Housing Authority (EDHA) (East Grand Forks)**
10. **Fergus Falls, City of**
11. **Fosston, City of**
12. **Housing & Redevelopment Authority in & for the City Of Willmar**
13. **Iron Range Resources (Eveleth)**
14. **Lakefield Economic Development Authority**
15. **McIntosh, City of**
16. **Meeker County Development Corp. (Litchfield)**
17. **Midwest Minnesota Community Dev. Corp. (Detroit Lakes)**
18. **Minnesota's Community Development Corp. (Park Rapids)**
19. **Northland Foundation (Duluth)**
20. **Northwest Minnesota Foundation (Bemidji)**
21. **Perham, City of**
22. **Prairieland Economic Development Corp. (Slayton)**
23. **Red Lake Falls Development Corporation**
24. **Red Wing Port Authority**
25. **Southern Minnesota Initiative Foundation (Owatonna)**
26. **Southwest MN Foundation (Hutchinson)**
27. **Stevens County Economic Improvement Commission**
28. **West Central MN Initiative Fund (Fergus Falls)**
29. **Wheaton Economic Development Authority**

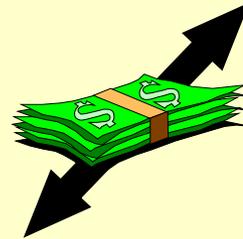
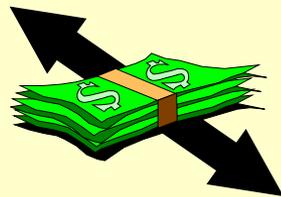
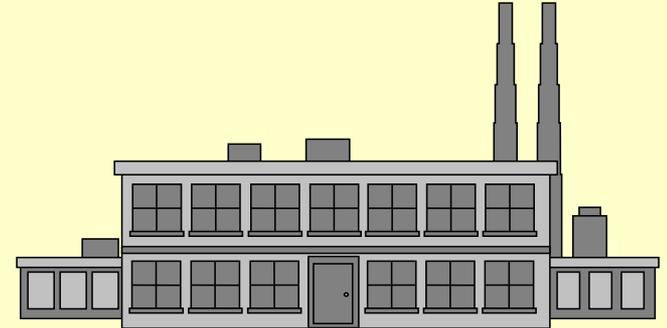
REDLG Funding

- **Funding is either a zero-interest loan or a grant. The maximum amount available varies each year. In fiscal year 2007 it is \$740,000 for loan and \$300,000 for grant. The minimum is \$10,000. Maximum loan term is 10 years.**
- **Loan money is appropriated by Congress. Cost is about 22 cents on the dollar.**
- **Grant money comes from Cushion-of-Credit accounts – advance payments made by RUS borrowers that earn 5% interest. About \$2 billion in account.**
- **The applicant is an eligible electric cooperative or telephone company, now called the “intermediary.”**

USDA 0% *Pass Through* Loan

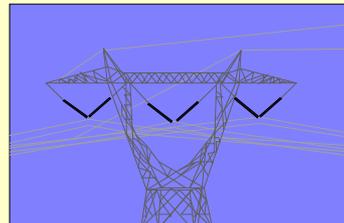


\$740,000 max

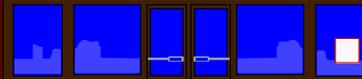


REC borrows
from RUS at
0% interest

REC loans to
recipient at 0%
interest



REC



Eligible Project Purposes

- **Start-up ventures and business expansion**
- **Business incubator facilities**
- **Advanced telecommunications services**
- **Community facility projects**
- **Other Projects per §4280.21**

USDA Grant for RLF

\$300,000 max
RUS grant



REC matches 20%
with own funds
\$60,000 max

REC-
administered
RLF \$360,000



REDG: The Initial RLF Loans

Ultimate recipients are non-profit entities, public bodies, or Indian tribes for:

- Community facility projects (e.g. school, hospital, community swimming pool, fire hall, fire truck, rescue equipment, city hall)**
- Business incubators**
- Education/training**
- Medical facilities, health care, or training**
- Computer networks for health care, education or training**
- Feasibility studies**

REDG: The Initial RLF Loans

Or, for-profit Ultimate Recipients for:

- Education/training**
- Medical facilities, health care, or training**
- Computer networks for health care, education or training**
- Feasibility studies**

REDG: Establishing the RLF

- **The Intermediary's $\geq 20\%$ contribution into the REDG RLF must come from its own funds, not be from other Federal grants.**
- **The contribution must remain part of RLF.**
- **The funds can only be used to make REDG RLF loans and not other investment purposes**

#	CRITERION	POINTS		
		1703	4280-A	#
1	Nature of the project	50	60	1
2	Job creation project	25	25	2
3	Long-term improvements in economic development	25		
4	Diversifying the rural economy or alleviating underemployment	10		
5	Supplemental funds	30	20	3
6	Unemployment rates	18	15	4
7	Per capita personal income	18	25	5
8	Change in population	8	10	6
9	Number of long-term jobs	15		
10	Community-based economic development program	10		
11	Plan for improving the marketable skills of people in rural areas	5		
12	Location	20	20	7
13	Support for program – cushion of credit payments	15	15	8
14	Demonstration project	5		
15	Probability of success	10		
16	Ultimate recipient's business plan	40	15	9
17	Completeness of application	10		
18	Special economic status (e.g. disaster area)	25	25	10
	Initial loan or grant		10	11
	First REDLG in a county		10	12
Total Possible		339	250	

Rural Business Opportunity Grant (RBOG)

RBOG grant money is used to pay for technical assistance for sustainable business development in rural areas.

RBOG

What is technical assistance:

It is “a non-construction, problem-solving activity performed for the benefit of a business or community to assist in the economic development of a rural area.”

RBOG

Who may apply?

Public bodies such as cities and counties, tribal governments, rural cooperatives, and non-profit community development groups serving rural areas in America. Applicants must have sufficient financial strength and expertise to ensure accomplishment of the proposed activities and objectives. The project must reasonably be expected to be completed within 2 full years after it is begun.

RBOG

Purposes:

- **Identify and analyze business opportunities that will use local rural materials or human resources, opportunities in export markets, and feasibility and business plan studies.**
- **Identify, train, and provide technical assistance to existing or prospective rural entrepreneurs and managers.**
- **Establish business support centers and assist in the creation of new rural businesses.**
- **Conduct local community or multi-county economic development planning.**
- **Establish centers for training, technology, and trade that will provide training to rural businesses in the utilization of interactive communications technologies to develop international trade opportunities and markets.**
- **Conduct leadership development training of rural entrepreneurs and managers.**
- **Pay reasonable fees and charges for professional services necessary to conduct the technical assistance, training, or planning functions.**

RBOG

Fund Availability:

- **In fiscal year 2007, \$3 million is available nationwide.**
- **Minnesota obtained \$50,000 for one project in each of 2002 and 2003; \$85,500 for two projects in 2004; \$100,000 for two projects in 2005; \$90,000 for two projects in 2006.**

Renewable Energy and Energy Efficiency Program: Farm Bill Section 9006



VAPG

Applicant eligibility:

- **Independent agricultural producer**
- **Cooperative**
- **Agricultural producer group**
- **Majority-controlled producer-based business venture**

VAPG

Product eligibility:

- **Change in physical state (e.g. lamb chops, diced tomatoes)**
- **Differentiated production or marketing (e.g. organic) - must reference a business plan**
- **Product segregation (e.g. non-GMO corn)**
- **Farm-based renewable energy**

VAPG

Activity eligibility. Either:

- **Planning Activities (e.g. feasibility study, business plan, marketing plan), or**
- **Working Capital (e.g. labor, inventory, advertising)**

Value Added Producer's Grant (VAPG)

Example:

Farmers Union Marketing and Processing Association, parent of Central Bi-Products, received a working capital grant for its \$3.25 million biodiesel plant in Redwood Falls. The 2.7-million-gallon plant uses animal fats and vegetable oils to produce biodiesel, and is one of three that produces biofuels to meet Minnesota's 2% biodiesel mandate.

**on
the
right
track**



BI 
DIESEL



Biomass Research and Development Initiative (9008)

Intended to expand the nation's overall supply of clean and affordable energy. It supports research, development, and demonstrations on biobased products, bioenergy, biofuels, biopower, and related processes, such as cost-effective ways to produce ethanol and other fuels and chemicals from biomass resources such as agricultural and forestry residues or fast-growing trees and grasses. Biomass is defined as organic non-fossil material of biological origin constituting a renewable energy source.

Section 9008

Eligible applicants include private sector entities, institutions of higher education, nonprofit organizations, national laboratories, federal and state research agencies, and consortiums of two or more of these entities.

Grants are awarded competitively based on technical merit and program priorities identified in the solicitation package. This solicitation requires a minimum non-federal share of 20 percent of the total project cost. The federal share of each grant ranges from \$250,000 to \$2 million, with the proposed work to be completed within a 3-year timeframe.

Section 9008

Examples:

- In 2005, the University of Minnesota at Morris received a \$1,896,493 grant for a comprehensive demonstration of a community-scale biomass gasification energy system.
- In 2004, the University of Minnesota received a \$397,711 grant to develop existing biomass resources through education of key supply bottlenecks.
- In 2003, the engineering firm Sebesta, Blomberg & Associates, Inc. received a \$2 million grant to design a biomass cogeneration demonstration plant at Central Minnesota Ethanol Cooperative.
- In 2003, Cargill, Inc. in Minneapolis received a \$1,877,176 grant to develop platform chemicals from an oilseed biorefinery.

USDA/DOE Interaction

- **DOE was part of original group to help develop Section 9006 regulations.**
- **DOE's National Renewable Energy Lab in Golden, CO reviews all 9006 technical reports.**
- **DOE has developed USDA's internal web-based tracking system for Section 9006 applications.**
- **DOE does the technical review of Section 9008 applications and is responsible for processing a portion of the applications.**